

Informed

The Cost of Doing Business in Indiana



Indiana's Business Climate

Indiana is a state where companies from across the nation and around the globe find the talent and resources they need to build success. Indiana offers a low-cost, pro-business environment — including low utility costs, workers' compensation and unemployment insurance rates coupled with a highly skilled, educated and capable workforce. Located in the heart of the Midwest, Indiana is home to internationally known universities, nationally recognized research parks, and cutting-edge innovative businesses. Indiana ranks first in the Midwest and 12th nationally in the Tax Foundation's 2008 Business Tax Climate Index; has one of the lowest business cost indexes in the Midwest and sixth lowest in the country, according to *Forbes*; and ranks first in the Midwest in the Milken Institute's Cost of Doing Business Index. Indiana is also one of only 10 states in the country to boast a AAA credit rating by Standard & Poor's Ratings Service due to the state's significant financial management changes and strengthened budgeting practices, stable economic base, property tax reform, and economic development efforts to attract diverse jobs.

Personal Income Tax	3.4%
State Sales Tax	7%
Property Tax	
• Average real property tax rate	1.93%
• Average business property tax rate	2.19%
Gasoline Fuel Tax*	\$0.57 per gallon
Diesel Fuel Tax*	\$0.77 per gallon
Unemployment Insurance	
• New employer rate	2.7%
• Taxable wage base	\$7,000
Workers' Compensation Average Rate	\$2.06
*COMBINED LOCAL, STATE AND FEDERAL SOURCE: AMERICAN PETROLEUM INSTITUTE (MARCH 2007)	

Total State Business Taxes

Based on Net Taxable Income of \$1 million and 100 employees. (Includes corporate business tax, workers' compensation and unemployment insurance.)

California	\$461,734
New York	\$420,130
New Jersey	\$409,752
Texas	\$364,184
Minnesota	\$329,591
Illinois	\$314,531
Tennessee	\$274,607
Missouri	\$266,401
Kentucky	\$236,836
Wisconsin	\$235,739
North Carolina	\$227,781
Iowa	\$218,345
South Carolina	\$209,064
Michigan	\$186,212
Indiana	\$179,199
Ohio	N/A

SOURCE: U.S. DEPARTMENT OF LABOR;
ACTUARIAL & TECHNICAL SOLUTIONS INC.

Average Annual Wage

U.S. average annual wage is \$42,535

New York	\$55,479
New Jersey	\$51,645
California	\$48,345
Illinois	\$45,650
Texas	\$42,458
Minnesota	\$42,185
Michigan	\$42,157
Ohio	\$38,568
Tennessee	\$37,564
North Carolina	\$37,439
Missouri	\$37,143
Wisconsin	\$36,821
Indiana	\$36,553
Kentucky	\$35,201
Iowa	\$34,320
South Carolina	\$34,281

SOURCE: BUREAU OF LABOR STATISTICS

Business Tax Reform

Indiana recently completed a sweeping property tax reform plan that caps business property taxes at 3 percent of assessed value. Corporate Adjusted Gross Income Tax is a flat 8.5 percent, to be apportioned solely on a company's sales in 2011 after a five-year phase-in. Indiana continues to have the lowest workers' compensation rates for manufacturing in the Midwest and second lowest in the nation. Indiana also has no inventory tax, and the state sales tax is 7 percent, with exemptions allowed on purchases of R&D and manufacturing equipment, items for resale, and more.

Industry Performance

Advanced Manufacturing

Advanced manufacturing is a mainstay of Indiana's economy, comprising more than 19 percent of all state jobs — or more than 700,000 workers — compared to 11 percent of total U.S. jobs. Indiana's key advanced manufacturing industries are motor vehicles, parts and transportation equipment, metals, machinery, plastics and rubber, chemicals, food products, furniture, and computers and electronics. Indiana's manufacturing leaders — including such companies as ArcelorMittal, Cummins, Toyota, Sony, and Rolls-Royce — lead the nation in innovation and industry best practices. The production of motor vehicles, parts and transportation equipment is the state's leading manufacturing sector. In fact, Indiana ranks third or higher in almost every segment of this industry. The state is home to major assembly plants for General Motors, Honda, Toyota, Subaru and AM General. Indiana's central location, skilled and productive workforce, and excellent transportation network solidify the state's position as a worldwide manufacturing leader.

Advanced Manufacturing Occupations	2006 Employment
Transportation equipment manufacturing	137,041
Fabricated metal product manufacturing	59,368
Primary metal manufacturing	46,836
Machinery manufacturing	45,258
Plastics and rubber products manufacturing	42,954
Chemical manufacturing	32,060
Food manufacturing	32,009
Miscellaneous manufacturing	29,680
Furniture and related product manufacturing	27,699
Computer and electronic equipment manufacturing	21,499
Wood product manufacturing	19,399
Nonmetallic mineral product manufacturing	14,992

SOURCE: BUREAU OF LABOR STATISTICS

Life Sciences

Indiana is one of only three states to specialize in three of four key biosciences areas: agricultural feedstock and chemicals; drugs and pharmaceuticals; and medical devices and equipment, according to the 2008 Battelle/Biotechnology Industry Organization report. Several Indiana life sciences companies lead the industry: Well-Point ranks third in health insurance; Eli Lilly and Company ranks fourth in pharmaceuticals; and Zimmer is fifth in medical production and equipment. Indiana employs 6.1 percent of the nation's drugs and pharmaceutical workers and the state's pharmaceutical sector ranks fifth in terms of sales and employment. Indiana's orthopedics industry is an \$8 billion industry with three Warsaw, Indiana-based companies — Biomet, DePuy and Zimmer — controlling 30 percent

of the global market in orthopedic joint replacement. Indiana is also home to Roche Diagnostics, the top medical diagnostics company in the world, and the Regenstrief Institute, which is the world's largest database of electronic medical records. Indiana is a national leader in groundbreaking research in such fields as bio-engineering/tissue engineering, genomics/proteomics, bio-informatics and nanotechnology. Academic bioscience research expenditures in Indiana totaled \$430 million in 2006, with at least \$100 million each in medical, biological, and agricultural science. Research funding in Indiana from the National Institutes of Health has grown 21 percent since 2002 — nearly twice the national rate.

Indiana's Top 10 Health Care/Life Sciences Occupations	2006 Employment
General medical and surgical hospitals	96,556
Nursing and residential care facilities	68,051
Offices of physicians	47,515
Computer and electronic product manufacturing	21,499
Pharmaceutical and medicine manufacturing	19,255
Medical equipment and supplies manufacturing	17,477
Offices of dentists	16,508
Electronic instrument manufacturing	7,989
Medical and diagnostic laboratories	5,344
Physical, engineering and biological research	3,961
Testing laboratories	2,069
Other technical consulting services	908

SOURCE: BUREAU OF LABOR STATISTICS

Industry Performance

Transportation, Distribution and Logistics

Indiana's established and efficient Transportation, Distribution and Logistics (TDL) industry offers companies a strong competitive advantage when it comes to reaching North American and world markets. Known as the "Crossroads of America," Indiana has eight interstate highways, three state-of-the-art international ports, and the second-largest FedEx hub in the United States. Each year, 724 million tons of freight travel through Indiana, making it the fifth busiest state for commercial freight traffic. With 14 federal highways, more than 11,000 highway miles and 4,200 miles of

Class I rail tracks, Indiana's transportation assets support any logistics-related enterprise. Indiana's TDL workforce of 250,000 members, combined with customizable training options and advanced university programs, provide businesses with a strong advantage in moving products to market. Indiana is also investing billions of dollars in infrastructure for the future. Through the Major Moves program, the state will invest \$12 billion in hundreds of new road construction and improvement projects over a 10-year period — without increasing the gas or diesel tax.

Indiana Gross Domestic Product by Industry

Total Indiana GDP: \$248.9 billion

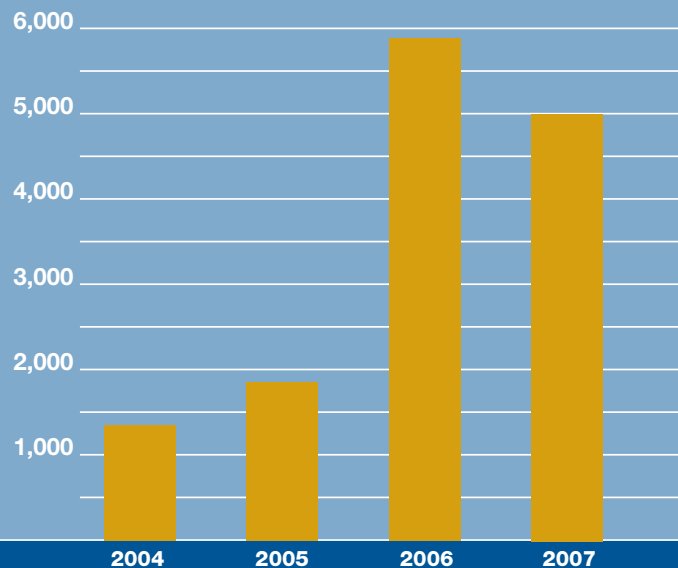
Durable Goods Manufacturing	\$43.9 billion
Non-Durable Goods Manufacturing	\$26.1 billion
Government	\$24.4 billion
Real Estate, Rental and Leasing	\$24.4 billion
Health Care and Social Assistance	\$18.0 billion
Retail Trade	\$15.8 billion
Finance and Insurance	\$14.1 billion
Wholesale Trade	\$14.1 billion
Construction	\$10.8 billion
Professional and Technical Services	\$9.4 billion

SOURCE: BUREAU OF LABOR STATISTICS

International Trade and Investment

Indiana is a global hub of international investment, manufacturing, and business operations. Approximately 500 international companies employ more than 139,000 Indiana workers — more than 18 percent of Indiana's manufacturing workforce — including more than 83,000 employees involved in international manufacturing companies. Indiana ranks first in North America in production jobs created, second in the total number of jobs created, and second in R&D jobs created by international investment, according to a 2007 report by IBM. Toyota and Fuji Heavy Industries both operate major Indiana automotive assembly plants, and a new Honda assembly plant will begin production in fall 2008. GETRAG, a German firm, is building a new \$450 million transmission plant in Indiana. The state is also home to the North American headquarters of Aisin U.S.A., as well as dozens of other major international companies, including Nestlé, Bayer AG, Siemens AG, British Petroleum, Tomkins and BAE Systems.

International Company New Job Growth



SOURCE: INDIANA ECONOMIC DEVELOPMENT CORP.

Quality of Life

Indiana feels like home, whether you prefer small-town comfort, big-city excitement or a college-town environment. Indiana has one of the country's highest rates of home ownership, and housing costs are among the most affordable in the nation. Indiana's energy costs, state and local taxes, and crime rate are low. Indiana's

working environment is ranked seventh best in the nation, based on job opportunities, job quality and other factors, according to the University of Massachusetts Amherst. None of Indiana's neighboring states ranked higher than 16th.

Cost of Living Index U.S. Average = 100.0

New York, New York	212.8
Los Angeles, California	144.6
Boston, Massachusetts	134.7
Newark, New Jersey	126.4
Chicago, Illinois	110.3
Minneapolis, Minnesota	110.1
Denver, Colorado	103.4
Phoenix, Arizona	100.6
Detroit, Michigan	98.2
Charleston, South Carolina	97.8
Louisville, Kentucky	97.5
Columbus, Ohio	97.4
Nashville, Tennessee	95.1
Savannah, Georgia	94.8
Indianapolis, Indiana	94.7
Green Bay, Wisconsin	93.3

SOURCE: COUNCIL FOR COMMUNITY AND ECONOMIC RESEARCH/ACCRA

Median Home Prices

New York, New York	\$1,202,800
Los Angeles, California	\$818,583
Newark, New Jersey	\$518,648
Boston, Massachusetts	\$495,140
Minneapolis, Minnesota	\$367,020
Chicago, Illinois	\$354,224
Denver, Colorado	\$351,968
Phoenix, Arizona	\$316,545
Detroit, Michigan	\$303,819
Columbus, Ohio	\$303,182
Indianapolis, Indiana	\$298,281
Charleston, South Carolina	\$272,635
Louisville, Kentucky	\$270,150
Savannah, Georgia	\$267,473
Green Bay, Wisconsin	\$263,513
Nashville, Tennessee	\$223,310

SOURCE: COUNCIL FOR COMMUNITY AND ECONOMIC RESEARCH/ACCRA

Higher Education

2006 Enrollment (Graduate and Undergraduate)

Purdue University — West Lafayette	40,600
Indiana University — Bloomington	38,247
Indiana University — Purdue University Indianapolis	29,764
Ball State University	17,285
University of Notre Dame	11,603
Indiana State University	10,568
University of Southern Indiana	10,021
Vincennes University	5,462
University of Indianapolis	4,440
Butler University	4,438
Valparaiso University	3,868
University of Evansville	2,796
DePauw University	2,326
Rose-Hulman Institute of Technology	1,963

SOURCE: INDIANA COMMISSION FOR HIGHER EDUCATION; INDEPENDENT COLLEGES OF INDIANA

Indiana is home to 76 world-class colleges and universities, including such renowned names as Indiana University, Purdue University, Rose-Hulman Institute of Technology, the University of Notre Dame, and many others. These institutions play a significant role in making Indiana an economic powerhouse, from helping mold young minds and nurturing new products through research and development to training tomorrow's workforce today. Indiana's universities and colleges also support a variety of research parks and institutions and communications complexes, which are indicative of the state's commitment to creating economic growth and opportunity through advanced technology and education. Indiana's focus on education is reflected in the national impact of Indiana's leading schools. Indiana University has a long and distinguished history of research in molecular biology, genetics, neuroscience and analytical chemistry. Notre Dame is rated among the nation's top 25 institutions of higher learning in surveys conducted by *U.S. News & World Report*, *Princeton Review*, *Time* and others. Purdue ranks among the top 25 public universities nationally, and its undergraduate programs in engineering, business and the sciences are among the best in the nation, according to *U.S. News & World Report*.



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